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EUROPEAN COMMISSION

Brussels, xxx
SEC(2009) 061 final

COMMUNICATION TO THE COMMISSION

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Lithuania submitted application EGF/2009/018 LT/Manufacture of wearing apparel for a financial contribution from the European Globalisation Adjustment Fund (hereinafter “EGF”), following redundancies in several enterprises operating in the NACE Revision 2¹ Division 14 (manufacture of wearing apparel) in the NUTS II region of Lithuania (LT00).

1. The application was received by the Commission from the Lithuanian authorities on 23 September 2009.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund², and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

SUMMARY OF THE APPLICATION AND ANALYSIS

(a) Analysis of the link between the redundancies and the financial and economic crisis

3. The application relates to 1 154 redundancies in the wearing apparel industry during the reference period of nine months between 16 October 2008 and 15 July 2009.
4. In order to establish the link between the redundancies and the financial and economic crisis, Lithuania argues that the global economic and financial crisis has had a serious impact on demand for textiles and clothing in Lithuania and in its export markets. For the EU as a whole, the decline in textile production already registered in the second half of 2008 accelerated in 2009. Production in the clothing sector, which resisted better in 2008, started to decline. In the first quarter of 2009, the production fell by more than 20% for the textiles and clothing industry, compared to the first quarter of the previous year. For April 2009, the reduction in production continued to be over 20%. The trade deficit in the first quarter of 2009 showed a sharp increase of 19%, mainly due to a strong reduction in exports to all trade partners and in particular to the most important ones, such as the USA, Japan, Russia and Turkey (20% in average). Those countries represent 45% of the total EU exports of textiles and clothing products³.

¹ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE 2 Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains.

² OJ L 48, 22.2.2008, p.82

³ Impact of the economic crisis on key sectors of the EU – the case of the manufacturing and construction industries, June 2009 Update. Published by DG Enterprise and Industry, 29 June 2009.

This effect was seen strongly in Lithuania where the change in added value in the NACE Division 14 was -5.5 % in 2007, decreasing further in 2008 by 8.2 %, but where in the first quarter of 2009 the decrease accelerated to 16.7 %.

Lithuania provided information that the volume of wearing apparel production for quarters of 2008 and the first half of 2009, compared with the equivalent quarter in the previous year, was as follows:

2008				2009	
Q1	Q2	Q3	Q4	Q1	Q2
89,40%	87,90%	84,70%	79,30%	68,40%	70,90%

5. In conclusion, the opinion of the Commission services is that the 1 154 redundancies in the wearing apparel industry can be linked, as required by Articles 1 and 2 of Regulation (EC) 1927/2006, to the financial and economic crisis, which has led to a sharp reduction of demand for wearing apparel in Lithuania and in export markets.

(b) Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)

6. Lithuania submitted the application under the intervention criterion of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies to occur within a nine-month period of reference in a NACE 2 division in one region or two contiguous regions at NUTS II level.
7. The application demonstrates 1 154 redundancies in 45 enterprises, all operating in the NACE Revision 2 Division 14 (manufacture of wearing apparel) during the period between 16 October 2008 and 15 July 2009. All of these redundancies were calculated in accordance with the second indent of paragraph 2 of Article 2 of Regulation (EC) No 1927/2006, i.e. from the date of the *de facto* termination of the contract of employment before its expiry.
8. The entire territory of Lithuania forms a single region at NUTS II level (LT00).
9. It is the opinion of the Commission services that the total number of 1 154 job losses in the NACE Revision 2 Division 14 (manufacture of wearing apparel) in Lithuania during the reference period meets the criteria of Article 2(b) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of those redundancies

10. The speed and depth of the global economic crisis were not foreseen by either firms or governments. Although the wearing apparel sector had been experiencing difficulties even before the crisis, the swiftness and the depth of the recession exacerbated the situation, overtaking the industries efforts to restructure.

(d) Identification of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of workers to be targeted

11. The application EGF/2009/018 LT/Manufacture of wearing apparel concerns a total of **1 154** redundancies in the following 45 enterprises:

Baltijos importo gama	4	UAB Velana	25
Lietuvos ir Italijos UAB Centeksas	58	UAB Viglita	131
Lietuvos ir Vokietijos UAB Valdita	13	UAB Vygmantana	32
UAB Dobilas	176	UAB ERC	66
UAB Aidesa	1	UAB Siuvimo paslaugos	1
UAB Almedija	24	UAB Ausigma	1
UAB Disoksa	8	UAB Nevežio siuvykla	37
UAB Elva	4	UAB Elkada	4
UAB Fuerteventura baltic	1	UAB La-Nika Baltic LTd.	3
UAB Irvė	16	UAB Nevėžis	4
UAB Kailių mitas	1	UAB Audenta	14
UAB Kamelė	20	UAB Skininja	2
UAB LCG	1	UAB Vilaugė	1
UAB Lelija	4	UAB Angliški mados namai	1
UAB Prekybos namai Eksa	1	UAB Telšių Šatrija	156
UAB Romansas	1	UAB Jonatex	173
UAB Siulveta	10	V. Gembutienės siuvimo salonas Vinega	3
UAB Siuvita	62	UAB Ausvija	12
UAB Textilite	1	UAB Fashion production Kaunas	1
UAB Textrix	2	UAB SNT-Group	12
UAB Trikolit	11	UAB Silveda	12
UAB Tūta	3	UAB Kerpienės firma	14
UAB Vainora	27		

12. Of the 1 154 dismissed workers, 491 are targeted for assistance. Of these 7.1 % are male and 92.9 % are female. 70 % belong to the 25 to 54 years age group, 29 % belong to the 55 to 64 years age group, and >1 % belong to the below 25 years age group. None are over 65 years of age. In terms of categories⁴, 7 (1.4 % of those targeted for assistance) workers belong to the category 'manager'; 21 (4.3 %) belong to the category 'professionals'; 18 (3.7 %) to the category 'technicians and associate professionals'; 16 (3.3 %) belong to the category 'clerks'; 17 (3.5 %) belong to the category 'service workers and shop and market sales workers'; 20 (4.1 %) belong to the category 'skilled agricultural and fishery workers'; 313 (63.7 %) to the category 'craft and related trades workers'; 13 (2.6 %) to the category 'plant and machine operators and assemblers'; and 66 (13.4 %) to the category 'elementary occupations'. 24 of the workers targeted for assistance have a long-standing health problem or disability. All of the redundant workers and all of the targeted workers are EU citizens.

(e) Description of the territories concerned and their authorities and stakeholders

13. The entire territory of Lithuania is affected by the redundancies in the wearing apparel industry.

⁴ According to the International Standard Classification of Occupations (ISCO) ISCO-08 classification of the ILO adopted in December 2007.

The main stakeholders include the Lithuanian Labour Exchange, the district and county labour exchanges, the municipalities, the employers and employees organisations, training centres, the Chamber of Commerce, and the Lithuanian state social insurance board and labour inspectorate.

(f) Expected impact of the redundancies as regards local, regional or national employment

14. Unemployment in Lithuania is amongst the highest in the EU and has risen sharply since the start of the economic and financial crisis, increasing by 10.9 % in a 12 month period to reach 16.7 % in July 2009.

The wearing apparel industry has been badly affected, losing 21.1 % of its jobs in Lithuania between the second half of 2007 and the second half of 2008 alone. The economic crisis has exacerbated this, and because of the concentration of women in the sector, has contributed to a doubling of the female rate of unemployment in Lithuania during the year to July 2009.

15. In conclusion, in such circumstances, the redundancies can be seen to have a negative effect on the national and local economies described.

(g) Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

16. The proposed package of personalised measures outlined in the application comprises ten distinct actions, in addition to the technical assistance necessary for the implementation of the package. The ten actions, which combine to form a co-ordinated package of personalised services aimed at re-integrating workers into the labour market, are:

- Training and retraining will be provided for workers whose skills are not in demand in the local labour market. Such training will be focussed on providing these workers with skills for which there is a demand. The actions will last for an average of five months, and it is estimated that 130 workers will benefit from this measure.
- Outplacement assistance, through the form of supported employment according to the national law on support of employment, will be offered in three different formats:
 - (a) For those workers who are particularly disadvantaged, have dependent children under the age of 8, or are over 50 years of age, employment subsidies will be provided to stimulate them to remain in or return to the labour market. It is estimated that 110 workers will benefit from this action, which will last between 6 and 12 months.
 - (b) Support will be provided for the acquisition of professional skills to 30 workers. This will allow them to acquire new skills directly in the workplace.
 - (c) For those without skills but who are at risk of exclusion from the labour market, special time-limited public work employment will be provided for a

maximum of 6 months. It is estimated that 100 workers will benefit from this latter action.

- Training allowances will be paid to redundant workers participating in training and retraining (as described above). An additional allowance will enable the workers to travel to and from such training. 130 workers will benefit from this support, which is estimated to last an average of 5 months.
- Entrepreneurship promotion – two similar measures, differing mainly in their intensity, will be aimed at redundant workers setting up their own businesses. In both the workers will be eligible to receive compensation for training or counselling relating to business start-up or business organisation, compensation for the costs involved in registration of self-employment, health and social, insurance costs, and the costs of machinery, equipment and instruments required for the workplace.
In the first measure, under national rules the total support for entrepreneurship may not exceed 15 times the minimum monthly salary. It is estimated that 35 workers will benefit from this action.
It is estimated that an additional 5 workers will benefit from a more intense entrepreneurship promotion measure based upon the national law on the support of employment. The ceiling for assistance is higher.
- Mobility allowances – in order to facilitate geographic mobility, and to allow redundant workers to seek new employment outside the areas in which they currently live, this measure will support the travel costs of an estimated 15 workers for a maximum of three months.
- Employment incentives – to encourage redundant workers to accept new employment as quickly as possible, a bonus equal to three times the minimum salary may be paid to workers who accept a permanent or a temporary contract with a minimum duration of 6 months, within 2 months of registering with the local labour exchange. It is estimated that 25 workers will benefit from this measure.
- Temporary financial aid, aimed at motivating redundant workers to accept a new job at a lower wage rate than their previous job, will be paid to workers who accept a new job under a contract of not less than six months (the contract can be either temporary or permanent). It is estimated that 25 workers will benefit from this action.
- Job-search allowances – redundant workers involved in active job search activities will be eligible for a time-limited support equivalent to 15 % of the Lithuanian minimum salary for a period of up to three months. It is estimated that 400 workers will benefit from this action.
- Support for child-care and care of disabled family members – in order to facilitate the reintegration of redundant workers with dependent children (up to 8 years of age) or disabled family members with special care needs, an additional allowance will be paid for a maximum period of three months in order to cover the additional costs that the workers will face in order to avail of training or other actions. It is estimated that 55 workers will benefit from this action.

An additional 15 workers will benefit from an allowance to cover the costs of dependent children (up to 8 years of age) or disabled family members with special care needs, for a maximum of 6 months after taking up new employment.

- Support for improving qualifications – this measure will specifically target 10 higher educated redundant workers to acquire new competencies in order to facilitate their reintegration into the labour market.

17. The administrative expenditure, as described in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers the preparation, management and control activities of the application as well as information and publicity.
18. The personalised services as part of the co-ordinated package presented by the Lithuanian authorities in the application are active labour market measures that fall within the eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006.

The total costs of these services are estimated by the Lithuanian authorities at EUR 748 980 and the administrative expenditure at EUR 56 375 (= 7 % of the total amount). The total requested contribution from the EGF is EUR 523 481 (65 % of the total costs).

Actions	Estimated Number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national co financing) (in EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Training and retraining	130	870	113 100
Outplacement assistance	240	974	233 760
Training allowances	130	900	117 000
Entrepreneurship promotion (basic)	35	3 475	121 625
Entrepreneurship promotion (intensive)	5	8 690	43 450
Mobility allowances	15	210	3 150
Employment incentives	25	690	17 250
Temporary Financial Aid	25	690	17 250
Job-search allowances	400	100	40 000
Support for care of children and disabled family members (during training)	55	139	7 645
Support for care of children and disabled family members (while in employment)	15	1 390	20 850
Support for improving qualifications	10	1 390	13 900
Subtotal personalised services			748 980
Technical assistance for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory			0
Management			50 475
Information and publicity			2 500
Control activities			3 400
Subtotal administrative expenditure			56 375
TOTAL ESTIMATED COSTS			805 355
EGF contribution (65 % of total costs)			523 481

19. As regards the complementarity with actions funded by the Structural Funds, Lithuania confirms that the measures described above are complementary. The EGF assistance will be directly targeted at mitigating the consequences of mass redundancies associated with the effects of globalisation, while support from the European Social Fund (ESF) is programmed and used to finance active labour market policy measures planned over the 2007-2013 programming period. The ESF support is multi-annual and unsuited to respond quickly to unexpected shocks in the labour market, unlike the EGF.

(h) Date(s) on which the personalised services to the affected workers were started or are planned to start

20. Personalised services to the affected workers included in the co-ordinated package proposed for co-financing through the EGF were started by Lithuania on 1 October 2009.

This date therefore represents the beginning of the periods of eligibility for any assistance that might be awarded from the EGF.

(i) Procedures followed for consulting the social partners

21. The Lithuanian authorities confirmed that the package of measures has been designed in full consensus with the social partners and that all measures included in the package were supported by the social partners.
22. The Lithuanian authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

(j) Information on actions that are mandatory by virtue of national law or pursuant to collective agreements

23. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the application provided the following elements:
- The Lithuanian authorities confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements.
 - The Lithuanian authorities demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.
 - The Lithuanian authorities confirmed that the eligible actions referred to under points 16 to 18 above do not receive assistance from other EU financial instruments.

24. (k) Management and control systems

Lithuania proposes that the financial contributions will largely be managed and controlled by the same authorities and bodies charged with the delivery and oversight of European Social Fund (ESF) funding in Lithuania, and specifically the EQUAL Community Initiative. The Ministry of Social Security and Labour is designated as managing authority, and the Lithuanian Labour Exchange, which comes under the Ministry, will act as intermediary body for the EGF.

(l) Conclusion

25. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/018 LT/Manufacture of wearing apparel submitted by Lithuania, relating to the redundancies in the wearing apparel industry, as evidence has been provided that these redundancies result directly from the global economic and financial crisis and have led to serious economic disruption affecting employment and the economy. A co-ordinated package of eligible personalised services has been proposed. Therefore, it is proposed to mobilise the EGF in response to the application from Lithuania.

FINANCING

- The total annual budget available for the EGF is EUR 500 million. So far, eight cases have been accepted for funding in 2009, and a further three cases have been proposed to the budgetary authority, amounting to a total of EUR 53 039 047.
- Article 12(6) of Regulation (EC) No 1927/2006 states that on 1 September of each year, at least EUR 125 million should remain available in order to cover any needs arising until the end of the year.
- After deduction of the amounts already accepted and already proposed for commitment, an amount of EUR 446 960 953 remains available. It is proposed to deploy EUR 523 481 from the EGF for application EGF/2009/018 LT/Manufacture of wearing apparel.

THE COMMISSION IS THEREFORE INVITED TO:

- conclude that the conditions for a financial contribution from the EGF to application EGF/2009/018 LT/Manufacture of wearing apparel submitted by Lithuania are met;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 523 481 as specified in point 18 as well as a request for the transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12 (3) of Regulation (EC) No 1927/2006;
- authorise the transfer of an identical amount in payment appropriations from budget line 04.0217 (European Social Fund (ESF) - convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).